

C O N F I D E N T I A L

DDI- 5410-82

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30 JUN 1982

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

VIA: Deputy Director for Intelligence

FROM:   
Director of Global Issues

SUBJECT: Background Information for Meeting with the  
Under Secretary of Commerce for International  
Trade

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1. Action Requested: None; for information only.
2. Background: With regard to your upcoming meeting with Lionel Olmer, the following points may be of interest.
  - a. The DDI has recently established a new division to assess foreign, non-Communist technological and industrial advances and strategies that have economic, political, or military implications for the United States. This division will incorporate what were separate Agency resources addressing these areas and combine them into a single integrated focus on the following areas:
    - Specific technology/industry sectors such as: semiconductors, computers, telecommunications, advanced materials, civil aviation, industrial automation, the automotive sector, steel, and perhaps civil space and advanced biotechnologies.
    - A wide variety of non-technical factors crucial to industrial competitiveness such as: government-industry relationships and strategies for technological or industrial development, R&D and capital investment levels, corporate strengths and weaknesses, marketing strategies, and after-sales service and support.
  - b. The Agency has provided considerable support to the Cabinet Council on Commerce and Trade (CCCT) report that assesses the levels of competitiveness in high

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technology industries. In particular, an Agency analyst was a principal drafter of the 19 May assessment. In addition, the Agency prepared a special memorandum, "Foreign Civil Technology Competition," that was forwarded to Lionel Olmer and others involved in the CCCT activities. This latter document will be given a wider dissemination shortly as an Intelligence Assessment.

- c. We agree with Secretary Baldrige's observations (see attachment) that the current CCCT study did not address a number of new issues. The CCCT study, for example, did not adequately address the national security implications of the rise of foreign technical levels. Some of the implications are indicated in the Agency's special assessment on "National Strategies and the Global Economy." Other implications, such as the dependency of our military on foreign sources of supply for critical components, still need to be developed.
- d. Major studies we now are focusing on include:
  - Japan: Status and Prospects for Semiconductor Memory Sales
  - Western Europe's Airbus Industrie: Growing Threat to US Commercial Aircraft Markets
  - French Technology Strategy
  - The Japanese Computer Industry
- e. Aside from these studies we intend to expand the technology competitiveness study we recently completed. We also intend to beef up our work on materials technology, an area I believe has been neglected for too long.

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- f. On another issue, you may wish to discuss Judge Clark's request to declassify CIA's April 1982 analysis on financial capital costs faced by US, Japanese, West German and French firms. We have no objections to the declassification; Judge Clark has requested that it be published under Commerce's attribution. Lionel Olmer presumably would have the action.

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Attachment:  
As Stated

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